

LONG VALLEY SEWER IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS
(UNAUDITED)
DECEMBER 31, 2005

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Independent Accountants' Compilation Report

Board of Directors
Long Valley Sewer Improvement District
Glendale, UT 84729

We have compiled the accompanying financial statements of the business-type activities of the Long Valley Sewer Improvement District as of and for the years ended December 31, 2005 and 2004, which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying basic financial statements and accordingly, do not express an opinion, or any other form of assurance, on them.

The management's discussion and analysis on pages 2 through 4 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Kemp, Burdick, Hinton & Hall L.C.
August 9, 2006

**LONG VALLEY SEWER IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2005**

As management of the Long Valley Sewer Improvement District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2005. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities (net assets) by \$475,606 at the close of the fiscal year.
- Total net assets increased by \$13,859.
- Total revenues from all sources were \$61,609.
- The total cost of all District programs was \$47,750.
- The total cost of \$47,750 includes depreciation expense of \$21,560 and interest expense of \$5,692.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. Since the District only has one fund, Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities are reported as Fund financial statements. These statements provide information about the activities of the District as a whole. The two components of the financial statements are: (1) Fund financial statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in detail. (2) Notes to the financial statements.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities (Government-wide)

A frequently asked question regarding the District's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure the District's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the District's property tax base or jurisdiction, the availability of capital projects, and condition of the District's assets to accurately assess the overall health of the District.

**LONG VALLEY SEWER IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
December 31, 2005**

The Statement of Net Assets and the Statement of Activities, present information about the following:

- Government activities – The District currently does not maintain any governmental activities, all activities are accounted for as proprietary activities.
- Proprietary activities/Business type activities – All of the District's services are considered to be proprietary activities. Charges for services and miscellaneous grant and other revenues finance all of the cost of the services provided.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. The District's major fund uses the accounting approaches as explained below.

- Governmental funds – The District currently does not maintain any governmental activities, all activities are accounted for as proprietary activities.
- Proprietary funds – When the District charges customers for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the District's financial position. The District's combined assets exceed liabilities by \$475,615 as of December 31, 2005 as shown in the Statement of Net Assets within the financial statements.

Business Type Activities

The cost of providing all proprietary (business type) activities this year was \$47,750. As shown in the statement of Changes in Net Assets, \$59,532 of this cost was paid for by those who directly benefited from the programs.

The District's programs include: sewer services. The Net Assets increased by \$13,859.

**LONG VALLEY SEWER IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
December 31, 2005**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the District are those assets that are used in performance of District functions including infrastructure assets. Capital Assets include equipment, buildings, land, and park facilities. At the end of fiscal year 2005, net capital assets of the District's activities totaled \$501,063. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 3 to the financial statements.)

Debt

At year-end, the District had \$99,180 in long-term debt. During the current fiscal year, the District's total debt decreased by \$23,103. (See note 4 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the District Budget for fiscal year 2006, the District Board and management were cautious as to the growth of revenues and expenditures. Overall operating expenditures were budgeted so as to contain costs at the same level as fiscal year 2005. There are no large capital projects anticipated for FY 2006.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kingsley Nelson, 435-648-2341.

LONG VALLEY SEWER IMPROVEMENT DISTRICT
STATEMENT OF NET ASSETS
Proprietary Fund
December 31, 2005

	Year Ended December 31, 2005	(Memorandum Only) Year Ended December 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1	\$ -
Accounts receivable, net of \$0 allowance	4,382	3,987
Total current assets	4,383	3,987
Noncurrent assets:		
Bond issue costs	11,220	11,220
Less: accumulated amortization	(6,993)	(5,246)
Capital assets:		
Land : sewer system	1,078,000	1,078,000
Accumulated depreciation	(576,937)	(555,377)
Total noncurrent assets	505,290	528,597
Total assets	\$ 509,673	\$ 532,584
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 1,413	\$ 343
Total current liabilities	1,413	343
Noncurrent liabilities		
Due within one year	24,018	23,102
Due in more than one year	99,180	123,198
Total noncurrent liabilities	123,198	146,300
Total liabilities	124,611	146,643
NET ASSETS		
Invested in capital assets, net of related debt	377,865	376,323
Unrestricted net assets	103,979	88,560
Total net assets	\$ 481,844	\$ 464,883

See accompanying notes and accountants' report.

LONG VALLEY SEWER IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Proprietary Fund
For the Year Ended December 31, 2005

	Year Ended December 31, 2005	(Memorandum Only) Year Ended December 31, 2004
OPERATING REVENUES		
Charges for services	\$ 54,372	\$ 58,362
Connection fees	5,160	7,300
Total operating revenues	<u>59,532</u>	<u>65,662</u>
OPERATING EXPENSES		
Amortization	1,748	1,748
Depreciation	21,560	21,377
General administration	-	-
Miscellaneous	1,768	972
Payroll taxes	326	654
Repairs and maintenance	6,268	3,902
Salaries and benefits	5,250	8,564
Utilities	2,036	1,987
Total operating expenses	<u>38,956</u>	<u>39,204</u>
Operating income (loss)	<u>20,576</u>	<u>26,458</u>
NONOPERATING REVENUE (EXPENSES)		
Interest income	2,077	1,061
Interest expense	(5,692)	(6,578)
Total nonoperating revenue (expenses)	<u>(3,615)</u>	<u>(5,517)</u>
Change in net assets	16,961	20,941
Total net assets--beginning	<u>464,883</u>	<u>443,942</u>
Total net assets--ending	<u>\$ 481,844</u>	<u>\$ 464,883</u>

See accompanying notes and accountants' report.

LONG VALLEY SEWER IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
Proprietary Fund
For the Year Ended December 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 59,137
Cash paid to suppliers	<u>(14,578)</u>
Net cash provided by operating activities	<u>44,559</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of property and equipment	-
Interest paid	(5,692)
Payment on long-term debt	<u>(23,103)</u>
Net cash used by capital and related financing activities	<u>(28,795)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest revenue	<u>2,077</u>
Net cash provided by investing activities	<u>2,077</u>
Net decrease in cash and cash equivalents	17,841

Cash balance--beginning of the year

-

Cash balance--end of the year

\$ 17,841

Reconciliation of net operating income (loss) to net cash used by operating activities:

Operating income (loss)	\$ 20,576
Adjustments to reconcile net operating income to net cash used by operating activities:	
Depreciation/Amortization	-
(Increase) decrease in:	
Accounts receivable	(395)
Increase (decrease) in:	
Accounts payable	<u>1,070</u>
Net cash provided by operating activities	<u>\$ 21,251</u>

See accompanying notes and accountants' report.

LONG VALLEY SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 1. Summary of Significant Accounting Policies

NATURE OF ORGANIZATION

Long Valley Sewer Improvement District, (the District) is organized under the laws of the State of Utah and operated under a board of directors. The District provides sewer service to residents of Long Valley. The sewer system was placed in service during 1978.

BASIS OF PRESENTATION-FUND ACCOUNTING

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The District's only fund is an enterprise fund.

BASIS OF ACCOUNTING

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. However, the only fund of the District is an enterprise fund. The accrual basis of accounting is generally followed as revenues are from services which are susceptible to accrual and expenditures are recorded when the liability is incurred. The District applies all applicable GASB pronouncements as well as FASB pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

LONG VALLEY SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 1. Summary of Significant Accounting Policies, Continued

BUDGET POLICY AND PROCESS

The District adopts an annual budget for the Enterprise Fund. The budget of the Enterprise Fund is adopted under a basis consistent with GAAP, except that certain capital expenses, nonoperating income and expense items are not considered. All annual appropriations lapse at year end.

ENCUMBRANCES

Encumbrance accounting is not used.

CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NET ASSETS

Net assets are the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors or grantors. All net assets are unrestricted.

LONG VALLEY SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 2. Cash Equivalents and Investments

Cash and cash equivalents at December 31, 2005 consists of the following:

Cash in bank	\$34,329
State Treasurer's Investment Pool	<u>56,216</u>
Total	<u><u>\$90,545</u></u>

At December 31, 2005, the carrying amount of the District's demand deposits was \$34,329 and the bank balance was \$34,522. Of the bank balance all was covered by federal depository insurance. Deposits are not collateralized nor are they required to be by state statute.

Deposits with the State Treasurer's Investment Pool of \$56,215 are carried at cost which equals market and are FDIC insured to the same degree that the total State Treasurer's Pool is covered at a given date.

Note 3. Capital Assets and Depreciation

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method as follows:

	<u>Useful Life</u>
Sewer system	50 years

Capital asset activity for the year ended December 31, 2005 was as follows:

	<u>Balance</u> <u>12/31/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2005</u>
Capital assets being depreciated:				
Sewer System	\$ 1,078,000	-	-	\$ 1,078,000
Less accumulated depreciation	<u>(555,377)</u>	<u>(21,560)</u>	-	<u>(576,937)</u>
Total capital assets being depreciated, net	<u>\$ 522,623</u>	<u>\$ (21,560)</u>	<u>\$ -</u>	<u>\$ 501,063</u>

LONG VALLEY SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 4. Long-term debt

Following is a summary of long-term debt for the year ended December 31, 2005:

5 % Note Payable due FMHA in monthly installments of \$418 including interest, final payment due in the year 2018; secured by assets of the District.

3.75% Current Refunding Bonds Payable (1989 bonds) due in monthly payments of \$1,982 including interest, final payment due May 2009; secured by the assets of the District.

A schedule of changes in long-term debt is as follows:

	Balance 12/31/2004	Additions	Retirements	Balance 12/31/2005	Due Within One Year
Note Payable FMHA	\$ 49,656	\$ -	\$ 2,605	\$ 47,051	\$ 2,725
Bond Payable	96,644	-	20,498	76,146	21,293
Total	<u>\$ 146,300</u>	<u>\$ -</u>	<u>\$ 23,103</u>	<u>\$ 123,197</u>	<u>\$ 24,018</u>

The annual debt service requirements to amortize debt outstanding at December 31, 2005 are as follows:

Year ended December 31,	Principal	Interest	Total
2006	24,017	4,783	28,800
2007	24,969	3,831	28,800
2008	25,959	2,841	28,800
2009	12,945	1,943	14,888
2010	3,327	1,689	5,016
2011-2015	19,367	5,713	25,080
2016-2018	12,607	894	13,501
Total	<u>\$ 123,191</u>	<u>\$ 21,694</u>	<u>\$ 144,885</u>